

Dunedin Stadium Property Limited

Annual Report 2018

Dunedin Stadium Property Limited

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Dunedin Stadium Property Limited

Directors' report For the year ended 30 June 2018

The Directors of Dunedin Stadium Property Limited are pleased to report on the activities of the Company for the year ended 30 June 2018.

Principal activities of the company

The principal activity of the Company is the ownership of Forsyth Barr Stadium. In particular the Company ensures the stadium is maintained to a standard that enables it to operate effectively.

Results for the year ended 30 June 2018

	\$'000
Loss before tax	(7,619)
Income tax credit	-
Net loss after tax	<u>(7,619)</u>

The net loss after tax is a decrease of \$614,000 over the previous year, resulting from a reduction in depreciation and borrowing costs.

The Company continues to work with Dunedin City Holdings Limited and its subsidiary companies on maintaining the cash funding model that has been in place for Dunedin Stadium Property Limited through subvention receipts and capital injections.

State of affairs

The Company recorded a net loss after tax of \$ (7,619,000) for the year. The loss includes the non cash depreciation expense of \$7,028,000, which along with the capital contribution of \$2,250,000 from Dunedin City Holdings Limited has enabled the Company to maintain liquidity.

The Directors consider that the state of affairs of the Company is satisfactory.

Changes in accounting policies

There have been no changes in accounting policies.

Review of operations

During the year the Directors reviewed the asset management plan and approved an appropriate budget for future years to ensure that the assets are maintained at an operational level.

Borrowings

During the year, all payments have been met with regard to interest. Dunedin City Holdings Limited injected capital of \$2,250,000 during the year and a portion of this has been used to settle debt.

Dunedin Stadium Property Limited

Directors' report For the year ended 30 June 2018

Auditors

The Controller and Auditor-General has contracted the audit to Audit New Zealand. The total remuneration payable by the company to the auditor for the year was \$15,585 (2017 \$15,430).

Directors' interests in contracts

No material contracts involving Directors' interests were entered into during the year ended 30 June 2018 or existed at the end of this twelve month period.

Directors' insurance

As allowed by the Company's Constitution, Dunedin Stadium Property Limited has arranged policies of Directors' Liability Insurance which, together with a deed of indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

Directors' remuneration

<i>Director</i>	<i>Position</i>	<i>Remuneration</i>
W H Cockerill	Chair	\$ 18,257
J M Conroy	Non- executive director	\$ 12,207
G W Crombie	Non- executive director	\$ 12,207

Directors' benefits

No Director of Dunedin Stadium Property Limited has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors as shown in the financial statements.

There were no notices from Directors of the Company requesting use of company information received in their capacity as Directors which would not otherwise have been available to them.

Financial statements

The audited financial statements for the year ended 30 June 2018 are attached to this report.

Outlook

The Stadium Review in 2015 solidified the future funding requirements of the Company for the next decade, ensuring the Company is able to maintain its operational, capital, and debt financing requirements.

Dunedin Stadium Property Limited

Directors' declarations of interest For the year ended 30 June 2018

Director	Declarations of Interests
William H Cockerill (appointed 7 June 2016)	Chair, Dunedin Stadium Property Limited Director, Robotic Technologies Limited Director and Shareholder, Octa Associates Limited Director and Shareholder, Octa Group Limited Director, Progress Print Limited
Joanne M Conroy (appointed 7 June 2016) (resigned 30 June 2018)	Chair, South Island Trust Board of St John Director, Dunedin Stadium Property Limited Director, Dunedin Venues Management Limited Director, Otago Southland Employers Association Director, Queenstown Housing Bonds Limited Director, Queenstown Lakes Community Housing Trust Developments Limited Director, Queenstown Lakes Community Housing Trust Property Portfolio Limited Director and Shareholder, QDC Services Limited Director and Shareholder, Marcon Holdings Limited Trustee, NZ Priory Trust Board of St John Trustee, Queenstown Lakes Community Housing Trust Director, QLCHT Shotover Country Limited
Graham W Crombie (appointed 2 February 2015)	Chair, Dunedin City Holdings Limited Chair, Dunedin City Treasury Limited Chair, Otago Museum Trust Chair, NZ Genomics Limited Chair, South Island Information Services Service Level Alliance Chair, TANZ eCampus Limited Independent Chair, Action Engineering Limited Deputy Commissioner, Southern District Health Board Director, Dunedin Stadium Property Limited Director, Surf Life Saving NZ Director and Shareholder, Innovatio Limited Director, A G Foley Limited Shareholder, WJ Investments Limited

Dunedin Stadium Property Limited

Statement of responsibility For the year ended 30 June 2018

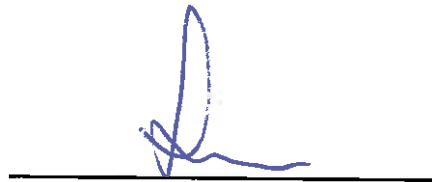
The Board of Dunedin Stadium Property Limited accept responsibility for the preparation of the annual financial statements and the judgements used in them;

The Board of Dunedin Stadium Property Limited accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

In the opinion of the Board of Dunedin Stadium Property Limited, the annual financial statements for the financial year ended 30 June 2018 fairly reflect the financial position and operations of Dunedin Stadium Property Limited.



Chair
Date 23 aug '18



Director
Date 23 August 18

Dunedin Stadium Property Limited**Statement of comprehensive income
For the year ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
Operating revenue	1	2,145	2,137
Financial revenue	2	1	4
Total revenue		2,146	2,141
Less expenses:			
Operating expenses	4	353	276
Interest expense	3	4,294	4,968
Depreciation	6	7,028	7,291
Total expenditure		11,675	12,535
Loss before tax and subvention		(9,529)	(10,394)
Subvention receipt		1,910	2,161
Loss before tax		(7,619)	(8,233)
Income tax credit	5	-	-
Net loss after tax		(7,619)	(8,233)
Other comprehensive income:			
Interest rate swap hedges gains (losses) during the year		319	1,011
Total comprehensive loss for the year		(7,300)	(7,222)

**Statement of changes in equity
For the year ended 30 June 2018**

	2018 \$'000	2017 \$'000
Opening Equity	83,939	88,911
Share Capital Contributions	2,250	2,250
Total comprehensive loss for the year after taxation	(7,300)	(7,222)
Closing Equity	78,889	83,939

The accompanying notes and accounting policies form an integral part of these financial statements.

Dunedin Stadium Property Limited**Statement of financial position
As at 30 June 2018**

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	10	65	1,881
Inter group advances	13	-	-
Trade and other receivables	11	608	716
Total current assets		673	2,597
Non-current assets			
Property, plant and equipment	6	170,725	177,752
Total non-current assets		170,725	177,752
Total assets		171,398	180,349
Current liabilities			
Trade and other payables	12	1,017	1,039
Inter group advances	13	-	-
Current portion of term borrowings	7	-	-
Total current liabilities		1,017	1,039
Non-current liabilities			
Term Borrowings	7	89,375	92,935
Derivative financial instruments	8	2,117	2,436
Total non-current liabilities		91,492	95,371
Equity			
Share capital	14	118,179	115,929
Cash flow hedge reserve	14	(2,117)	(2,436)
Retained losses	14	(37,173)	(29,554)
Total equity		78,889	83,939
Total liabilities and equity		171,398	180,349

The accompanying notes and accounting policies form an integral part of these financial statements.

Dunedin Stadium Property Limited**Statement of cash flows
For the Year Ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		2,145	2,137
Subvention payments		2,018	2,472
Interest received		1	4
Net GST received		-	11
		<u>4,164</u>	<u>4,624</u>
<i>Cash was disbursed to:</i>			
Interest paid		4,387	5,112
Net GST paid		3	-
Payments to suppliers		280	276
		<u>4,670</u>	<u>5,388</u>
Net cash inflow from operating activities	19	<u>(506)</u>	<u>(764)</u>
Cash flow from investing activities			
<i>Cash was disbursed to:</i>			
Net purchase of property, plant and equipment		-	19
		<u>-</u>	<u>(19)</u>
Net cash inflow/(outflow) from investing activities		<u>-</u>	<u>(19)</u>
Cash flow from financing activities			
<i>Cash was provided from:</i>			
Shareholder capital		2,250	2,250
Inter group advances		-	-
		<u>2,250</u>	<u>2,250</u>
<i>Cash was disbursed to:</i>			
Repayment of inter group advances		-	280
Repayment of borrowings		3,560	1,065
		<u>3,560</u>	<u>1,345</u>
Net cash outflow from financing activities		<u>(1,310)</u>	<u>905</u>
Net increase/(decrease) in cash		<u>(1,816)</u>	<u>122</u>
Opening cash and cash equivalents		1,881	1,759
Closing cash and cash equivalents	10	<u>65</u>	<u>1,881</u>

The accompanying notes and accounting policies form an integral part of these financial statements.

Dunedin Stadium Property Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

Reporting entity

The financial statements presented here are for the reporting entity Dunedin Stadium Property Limited (the Company).

Dunedin Stadium Property Limited is a Council Controlled Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is owned by Dunedin City Holdings Limited.

The financial statements of Dunedin Stadium Property Limited are for the year ended 30 June 2018.

The registered address of the Company is 50 The Octagon, Dunedin.

The primary objective of Dunedin Stadium Property Limited is to own and maintain the Forsyth Barr Stadium and in return receive a rental from the tenant.

Dunedin Stadium Property Limited is a public benefit entity.

Statement of compliance

The financial statements have been prepared in accordance with the Tier 2 PBE accounting standards.

The financial statements were authorised for issue by the Directors on 23 August 2018.

Basis of preparation

The financial statements have been prepared on an historical cost basis, except for the revaluation of derivative financial instruments.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates.

For the purpose of complying with NZ GAAP, the Company is eligible to apply Tier 2 Public Benefit Entity Accounting Standards on the basis that it does not have public accountability and is not a large public benefit entity. The Company has elected to report in accordance with NZ IFRS PBE and has applied disclosure concessions.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018 and the comparative information for the year ended 30 June 2017.

Good and Service Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for trade receivables and trade payables which are recognised inclusive of GST.

Dunedin Stadium Property Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2018****Critical accounting estimates and assumptions**

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual result. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. No estimates or assumptions made are considered to have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

At each balance date, the useful lives and residual values of property, plant and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

Critical judgements in applying accounting policies

There have been no critical judgements in applying accounting policies for the year ended 30 June 2018.

Changes in accounting policies

There has been no change in accounting policies. Policies for the current year and comparative year have been applied on a consistent basis.

Dunedin Stadium Property Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

1. Operating Revenue

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Subvention receipts are received in two forms by the Company, annual contracted subvention amounts paid by companies within the consolidated tax group and subvention receipts to the value of the losses available to be utilised by companies within the consolidated tax group. Annual subvention receipts are recognised when due and payable. Subvention receipt for loss utilisation is recognised upon completion of the consolidated tax return.

	2018 \$'000	2017 \$'000
Rentals and costs from Dunedin Venues Management Ltd	2,145	2,137

2. Financial Revenue

Accounting policy

Interest income is accrued, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

	2018 \$'000	2017 \$'000
Interest received from funds on deposit	1	4

The rate of interest earned on deposits is 1.75% (2017: 1.75% p.a.)

3. Financial expenses

Accounting policy

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

	2018 \$'000	2017 \$'000
Interest to Dunedin City Treasury Ltd	4,294	4,968

Dunedin Stadium Property Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

4. Other expenses

Accounting policy

Impairment of assets

At each balance date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised as income.

	2018 \$'000	2017 \$'000
Audit fees - for audit of financial statements	16	15
Directors remuneration	43	42
Other expenses	294	219
Total operating expenses	353	276

5. Taxation

Accounting policy

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of financial performance because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Dunedin Stadium Property Limited**Notes to the Financial Statements
For the Year Ended 30 June 2018**

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

	2018 \$'000	2017 \$'000
Loss for the year before income tax	(7,619)	(8,233)
Income tax credit at 28%	(2,133)	(2,305)
<i>Tax effect of following adjustments</i>		
Non-deductible building depreciation	758	758
Tax losses to be utilised	1,375	1,547
Adjustment to previous years taxation provision	-	-
Income tax credit	-	-

A deferred tax asset has not been recognised in relation to temporary differences of \$2,293,000 (2017: \$2,436,000).

The company is expecting to transfer its tax losses for the current year of \$6,821,000 to other entities in the DCC group by subvention payment of \$1,910,000 and loss offset of \$4,911,000. The tax losses for 2017 were transferred to City Forests Ltd by subvention payment of \$548,446 and loss offset of \$1,410,292, and to Dunedin Venues Management Ltd by subvention payment of \$191,121 and loss offset of \$491,454, and to Aurora Energy Ltd by subvention payment of \$1,412,000 and loss offset of \$3,632,000.

6. Property, plant and equipment**Accounting policy**

Property plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets on the straight-line basis. Rates used have been calculated to allocate the assets cost less estimated residual value over their estimated remaining useful lives.

Depreciation of these assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Dunedin Stadium Property Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

Depreciation rates and methods used are as follows:

	<i>Rate</i>	<i>Method</i>
Buildings	2%	Straight line
Fit out	2% to 30%	Straight line
Pitch construction	2% to 67%	Straight line
External site works	2% to 20%	Straight line
Furniture, fittings & equipment	2% to 67%	Straight line

2018	Land	Buildings	Fit out	Pitch construction	External site works	Fixtures fittings & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
Balance at beginning of year	28,526	126,465	46,960	2,415	7,171	12,077	223,614
Additions	-	-	-	-	-	-	-
Balance at end of year	28,526	126,465	46,960	2,415	7,171	12,077	223,614
Accumulated depreciation							
Balance at beginning of year	-	14,965	21,335	1,671	1,350	6,541	45,862
Depreciation	-	2,529	3,200	212	218	868	7,027
	-	17,494	24,535	1,883	1,568	7,409	52,889
Balance at end of year	28,526	108,971	22,425	532	5,603	4,668	170,725
2017	Land	Buildings	Fit out	Pitch construction	External site works	Fixtures fittings & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
Balance at beginning of year	28,526	126,465	46,941	2,415	7,171	12,077	223,595
Additions	-	-	19	-	-	-	19
Balance at end of year	28,526	126,465	46,960	2,415	7,171	12,077	223,614
Accumulated depreciation							
Balance at beginning of year	-	12,435	17,977	1,414	1,132	5,612	38,570
Depreciation	-	2,530	3,358	257	218	929	7,292
Disposals	-	-	-	-	-	-	-
	-	14,965	21,335	1,671	1,350	6,541	45,862
Balance at end of year	28,526	111,500	25,625	744	5,821	5,536	177,752

7. Term borrowings (secured)

Accounting policy

Term borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the statement of financial performance using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Dunedin Stadium Property Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
Loan Balance to Dunedin City Treasury Limited	89,375	92,935

Term borrowings are planned to be repaid over 19 ½ years from 2012 to 2031, following further equity funding contributions of \$2.25 million per year.

The Company is currently working with Dunedin City Holdings Limited and its subsidiary companies on maintaining the cash funding model that has been in place through subvention receipts.

The loan is secured against the assets and undertakings of Dunedin Stadium Property Limited.

The weighted average interest rate for the loan facility at year end was 4.64% (2017: 5.28%).

8. Derivative financial instruments and hedge accounting

Accounting Policy

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to hedge these exposures.

The use of financial derivatives in each entity within the Company is governed by that entity's policy approved by its Board of Directors. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently remeasured to their fair value. The fair value on initial recognition is the transaction price. Subsequently fair values are based on independent bid prices quoted in active markets as provided for us by our banking counterparties.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the statement of financial performance. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the statement of financial performance in the same period in which the hedged item affects net profit or loss.

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge relationship is more than twelve months and as a current liability if the remaining maturity of the hedge relationship is less than twelve months.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of financial performance for the period.

Dunedin Stadium Property Limited**Notes to the Financial Statements
For the Year Ended 30 June 2018**

	2018 \$'000	2017 \$'000
Fair Value		
Interest rate swaps - non-current	2,117	2,436

9. Financial instruments**Accounting Policy**

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern. The Company is undercapitalised, however the Company has uncalled capital of \$126,821,000 and the Company's ability to make calls on this uncalled capital will enable the Company to manage the capital risk.

Categories of financial instruments

	2018 \$'000	2017 \$'000
Financial assets:		
Bank current account	65	1,881
Deposit - Dunedin City Treasury Ltd	-	-
Rent receivable	-	-
Subvention payment receivable	608	716
Financial liabilities:		
Creditors and accrued expenses	94	20
Interest accrued	876	969
Aurora Energy Limited	-	-
Dunedin Venues Management Limited	-	-
Borrowings (current and non-current)	89,375	92,935
Derivative financial instruments	2,117	2,436

All financial assets are recognised at cost/face value while financial liabilities are recognised at amortised cost except derivative financial instruments which are recognised at fair value.

10. Cash and cash equivalents**Accounting policy**

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Dunedin Stadium Property Limited**Notes to the Financial Statements
For the Year Ended 30 June 2018**

	2018	2017
	\$'000	\$'000
Bank current account	65	1,881
Deposit - Dunedin City Treasury Ltd	-	-
	<u>65</u>	<u>1,881</u>

Cash and short-term deposits comprise cash held by the Company and short-term deposits. The carrying amount of these assets approximates their fair value.

11. Trade and other receivables**Accounting policy**

Trade and other receivables are stated at cost less any allowances for estimated irrecoverable amounts.

	2018	2017
	\$'000	\$'000
Subvention payment receivable	608	716
GST Receivable	-	-
	<u>608</u>	<u>716</u>
Total receivables comprise:		
Receivables from non-exchange transactions	-	-
Receivables from exchange transactions	608	716

12. Trade and other payables**Accounting policy**

Trade and other payables are stated at cost.

	2018	2017
	\$'000	\$'000
Trade creditors and accrued expenses	94	20
Interest accrued	876	969
GST Payable	47	50
	<u>1,017</u>	<u>1,039</u>

13. Intergroup advances

	2018	2017
	\$'000	\$'000
Advances received from:		
Aurora Energy Limited	-	-
Dunedin Venues Management Limited	-	-
	<u>-</u>	<u>-</u>
Advances made to:		
Dunedin Venues Management Limited	-	-

Dunedin Stadium Property Limited**Notes to the Financial Statements
For the Year Ended 30 June 2018****14. Equity**

	2018	2017
	\$'000	\$'000
Share capital		
Shares on issue \$1 per share	245,000	245,000
Called and fully paid capital:		
Opening balance	115,929	113,679
Call on capital during the year	2,250	2,250
Balance at the end of the year	118,179	115,929
Uncalled capital	126,821	129,071

The Dunedin City Council transferred its shareholding to its wholly owned subsidiary Dunedin City Holdings Limited on 30 June 2016.

Fully paid ordinary shares carry one vote per share, carry a right to dividends and, upon winding up, a pro rata share of the Company's net assets.

Cash flow hedge reserve

	2018	2017
	\$'000	\$'000
Opening balance	(2,436)	(3,447)
Interest rate swap hedges gains (losses) during the year	319	1,011
Balance at the end of the year	(2,117)	(2,436)

Retained losses

Opening Balance	(29,554)	(21,321)
Net loss for the year after taxation	(7,619)	(8,233)
Balance at the end of the year	(37,173)	(29,554)

15. Capital expenditure commitments and operating leases

The Company had no capital expenditure commitments at year end (2017: \$nil).

The Company has entered into a rental agreement with Dunedin Venues Management Limited to rent the stadium assets for a term of 20 years from 1 August 2011.

	2018	2017
	\$'000	\$'000
Rent receivable within one year	2,000	2,000
Rent receivable between one to five years	8,000	8,000
Rent receivable later than five years	16,167	18,167
	26,167	28,167

16. Contingent liabilities

There were no contingent liabilities at year end (2017: \$nil).

Dunedin Stadium Property Limited

Notes to the Financial Statements For the Year Ended 30 June 2018

17. Related party transactions

The Company is a wholly-owned subsidiary of Dunedin City Holdings Limited.

Transactions with the Dunedin City Council:

The Company provided services and traded with Dunedin City Council in respect of the following transactions:

	2018 \$'000	2017 \$'000
Financial Services	-	1

Transactions with Dunedin City Council Controlled Entities:

The Company provided services and traded with Dunedin City Council controlled entities in respect of the following transactions:

	2018 \$'000	2017 \$'000
Dunedin City Treasury Limited		
Interest paid	4,294	4,968
Interest received	-	-
	<u>4,294</u>	<u>4,968</u>

As at balance date:

Payable to Dunedin City Treasury Ltd:

Loan – refer Note 7	89,375	92,935
Interest accrued	876	969
	<u>90,251</u>	<u>93,904</u>

Dunedin Venues Management Limited

Advance paid	-	(177)
Rent and costs received	2,145	2,137
Subvention payment received	360	75
Management Fee	(70)	(70)
Asset Management Plan	(69)	-
	<u>2,366</u>	<u>1,965</u>

As at balance date:

Receivable from Dunedin Venues Management Limited:

Subvention payment receivable	-	117
Payable to Dunedin Venues Management Limited:	(69)	-
	<u>(69)</u>	<u>117</u>

Aurora Energy Limited

Subvention payment received	51	2,086
Advanced received/(paid)	-	(85)
	<u>51</u>	<u>2,001</u>

As at balance date

Receivable from Aurora Energy Limited:

Subvention payment receivable	-	51
Payable to Aurora Energy Limited:	-	-
	<u>-</u>	<u>51</u>

Dunedin Stadium Property Limited**Notes to the Financial Statements
For the Year Ended 30 June 2018**

	2018 \$'000	2017 \$'000
City Forests Limited		
Subvention payment received	1,608	-
<i>As at balance date</i>		
Receivable from City Forests Limited:	-	-
Subvention payment receivable	-	548

No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables to related parties.

Compensation of key management personnel

The remuneration of Directors during the year was \$43,000 (2017: \$42,000).

18. Going concern

The financial statements have been prepared using the going concern assumption.

The Company has recorded a net loss after taxation of \$7,619,000 and net working capital of (\$344,000) at 30 June 2018. The result was achieved after subvention payments of \$1,910,000 from companies within the Dunedin City Holdings Limited Group. These payments are dependent on the ongoing profitability of the underlying group of companies controlled by DCHL. The Company's position is mitigated by the uncalled capital of \$126,821,000 available to it. Under current contractual arrangements the uncalled capital can be drawn by the Company on demand as and when required.

**19. Reconciliation of net loss for the year to
cash flows from operating activities**

	2018 \$'000	2017 \$'000
Net loss for the year after taxation	(7,619)	(8,233)
<i>Items not involving cash flows</i>		
Depreciation	7,028	7,291
<i>Impact of changes in working capital items</i>		
(Increase) / decrease in subvention payment receivable	108	293
Increase / (decrease) in GST payable	(3)	11
Increase / (decrease) in trade and other payables	73	18
Increase / (decrease) in interest accrued	(93)	(144)
Net cash flow from operating activities	<u>(506)</u>	<u>(764)</u>

20. Events after balance date

There have been no significant events since balance date.

Dunedin Stadium Property Limited

Statement of service performance For the Year Ended 30 June 2018

Performance targets

1. Statement of Intent is consistent with the objectives of the shareholder.
2. Operating activities are compliant with the goals and objectives stated in the Statement of Intent.
3. Assets are maintained at an operational level:
 - Asset maintenance is compliant with the asset management timetable.
 - The asset management plan is reviewed annually.
4. Reduce debt over time.
5. Consult with the shareholder where conflict with the Council's community outcomes may or could result.
6. To report matters of substance to the Shareholder within 24 hours of the board becoming aware.

Performance targets achieved

- Achieved. The Statement of Intent is consistent with the objectives of the shareholder.
- Achieved. The operating activities of Dunedin Stadium Property Limited are compliant with the objectives stated in the Statement of Intent.
- Not achieved. A review of the asset management timetable during the year deemed the budgeted capital expenditure of \$157,000 as unnecessary. This amount was not spent during the year. Separately, WSP Opus completed a formal asset condition assessment during the year that confirmed that the stadium is in good condition.
- Not achieved. In June 2018 the DSPL board reviewed and approved the asset management plan schedules supplied by WSP Opus. The schedules form the basis of the full asset management plan report. The full report will be received in August 2018.
- Achieved. The debt has been reduce by \$3,560,000 to \$89,375,000 at the end of the financial year.
- Achieved. There were no matters requiring escalation to the shareholder.
- Achieved. There are no matters of substance to report to the shareholder.

Dunedin Stadium Property Limited

Statement of service performance For the Year Ended 30 June 2018

Financial forecasts	\$'000	Achievement	\$'000
1a. EBITDA	7,352	EBITDA	3,703
1b. Net profit (Loss)	(2,608)	Net profit (Loss)	(7,619)
1c. Cash flow from operations	3,149	Cash flow from operations	(506)
1d. Capital expenditure	157	Capital expenditure	-
1e. Term loans	87,400	Term loans	89,375
2. Shareholder's funds to total assets	48%	Shareholder's funds to total assets	46%

The financial forecasts in the Statement of Intent were impacted by reduced subventions receipts. The Company continues to work with Dunedin City Holdings Limited and its subsidiary companies on maintaining the cash funding model that has been in place through subvention receipts. The operating loss before subventions for the year of \$9,529,000 is consistent with the budgeted operating loss before subventions of \$9,703,000.

Dunedin Stadium Property Limited

Directory For the Year Ended 30 June 2018

Directors

William H Cockerill	appointed 7 June 2016
Joanne M Conroy	appointed 7 June 2016, resigned 30 June 2018
Graham W Crombie	appointed 2 February 2015

Registered office

50 The Octagon
Dunedin 9016

Bankers

ANZ Bank New Zealand Limited
Westpac Banking Corporation

Solicitors

Anderson Lloyd

Taxation advisors

Deloitte

Auditor

Audit New Zealand on behalf of the Controller and Auditor-General

Independent Auditor's Report

To the readers of Dunedin Stadium Property Limited's financial statements and statement of service performance for the year ended 30 June 2018

The Auditor-General is the auditor of Dunedin Stadium Property Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 6 to 20, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 21 to 22.

In our opinion:

- the financial statements of the company on pages 6 to 20:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the statement of service performance of the company on pages 21 to 22 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 23 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing the financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and the statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported service performance within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 5, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand